

Testimony in Support of HB 6934: AAC Wages Paid to Individuals Providing Food, Building,
Property or Equipment Services to Municipalities

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In the Public Interest

Labor and Public Employees Committee

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Distinguished Members of the Labor and Public Employees Committee:

In the Public Interest is a national non-profit resource center focused on government outsourcing and responsible contracting. It is committed to equipping citizens, public officials, advocacy groups, and researchers with the information, ideas, and other resources they need to ensure that public contracts with private entities are transparent, fair, well-managed, and effectively monitored, and that those contracts meet the long-term needs of communities.

We submit this testimony in support of House Bill 6934. This bill requires companies that contract with a municipality or Board of Education to provide food, building, property or equipment services or maintenance to pay their employees the standard rate of wages or at a rate that is substantially equivalent to that of other like employees, whichever is higher.

Last year, ITPI published a report titled, "Race to the Bottom: How Outsourcing Public Services Rewards Corporations and Punishes the Middle Class." In this report, we detailed the very destructive dynamic that this bill seeks to curtail. We found that without proper protections, low-road government contracting can set off a downward spiral in which reduced worker wages and benefits can hurt the local economy and overall stability of middle and working class communities. Many of the industries where we found this dynamic to be most prevalent are the industries that this bill targets – food service in schools, public building maintenance, custodial contracts, and more.

Recent research by Daphne Greenwood, an economist at the University of Colorado, shows how declines in workers' wages mean less money to spend in their communities and directly affect local businesses.¹ Lower wages mean that workers spend less in local retail, restaurants,

¹ Daphne T. Greenwood, "The Decision to Contract Out: Understanding the Full Economic and Social Impacts," University of Colorado, Colorado Springs, March 2014.

and other establishments. Lower wages also mean that local and state governments collect less in sales, income, property, and other types of taxes. In short, less money flows into the local economy and more money is routed to for-profit corporations.

Furthermore, low wages by contractors can result in a hidden cost to the government. When government contractors pay low wages, taxpayers often end up subsidizing these companies by filling in income gaps through public assistance programs, for which low-income Americans qualify, to make ends meet. These hidden costs are rarely factored in to a government's cost analysis of a proposed contract.

Governments should ensure that cost savings promised by contractors are derived from increased efficiencies, not from a decrease in employee compensation. By using low-road contractors, local governments essentially subsidize these companies by supplementing low-wage jobs with public support and other resources. Instead, when governments do business with high-road contractors, contractors compete on whether they can offer quality services through increased efficiency, instead of undercutting each other by slashing workers' wages and benefits. By ensuring that contractors' promises of cost savings do not come from wage reductions, states and localities can preserve decent family-supporting jobs, which is good for workers, communities, and the local economy.

HB 6934 ensures that public funds at all levels of government in Connecticut are used to pay people to perform public work that result in solid family-supporting jobs, instead of engaging in a race to the bottom. In the Public Interest is happy to provide support to the Committee as the State makes policy decisions regarding its contracting practices. Thank you for your time and consideration.